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TAGS: PGOV ECON EINV ELAB PHUM CH

SUBJECT: RURAL EASTERN ANHUI STABLE AND PROSPEROUS IN THE YEAR OF THE OX, BUT CONCERNS IN PROVINCE'S NORTH

REF: 08 BEIJING 3293

CLASSIFIED BY: MATTHEW D. MURRAY, ACTING POL/ECON CHIEF, US CONSULATE SHANGHAI, DEPARTMENT OF STATE.

REASON: 1.4 (b), (d)

Summary

¶11. (C) Rural Eastern Anhui Province appeared festive and upbeat on the eve of Lunar New Year celebrations despite continued reports of returned migrant workers facing difficult job prospects after the holiday. A County Governor who attended Central Party School training in Shanghai in November 2008 told Poloff on January 22 he is confident Eastern Anhui is well-situated to weather the economic crisis because the region's migrants tend to work in the service sector rather than export-oriented factories, and the area's agricultural sector is better off than other parts of the province. In addition, there are industrial jobs in Anhui to absorb excess labor. Contacts in Hefei, Anhui's provincial capital, supported the County Governor's conclusions, adding that if Anhui Province experiences social instability in the near future, it is most likely to occur in Anhui's more densely populated and impoverished north. End Summary.

Visit to Hanshan County, Anhui Province

¶12. (C) Poloff visited Hanshan County, Anhui Province on January 22. The county seat is located approximately 100 km west of Nanjing, Jiangsu's Provincial capital, and 100 km east of Hefei. Hanshan County has a population of 450,000, approximately 100,000 of whom are migrant workers, mostly in Beijing or Shanghai. Agriculture accounts for 40 percent of Hanshan's GDP, but that share is decreasing, as industrial growth, particularly from cement production, is increasing. The county's GDP grew by approximately 12 percent in 2008 to RMB 5.2 billion (approximately USD 765 million).

Rural Eastern Anhui Prepares for Lunar New Year

¶13. (C) Driving first through He County on the Jiangsu-Anhui border and then into Hanshan, Poloff observed a festive pre-Lunar New Year atmosphere with bustling village markets and many young residents -- apparently recently returned migrant workers -- chatting with old friends. Markets featured luxury products such as motor scooters for sale, as well as basic purchases for the New Year like fruit and clothing. Li Ning, the director of Hanshan's Foreign Affairs Office, pointed out that many of the cars on the roads had either Beijing Municipal or Jiangsu Provincial license plates, an indication of the

return of many migrant workers who have "done well" on the coast. Li added that few migrants returned early to Hanshan, and judging from the long-distance bus passenger loads in mid-January, most had returned to celebrate the Lunar New Year as normal. Residents of Eastern Anhui perceive China's economic slowdown and resulting factory closures as a "Guangdong problem," Li said, and since most of the area's migrant workers go to Beijing or the Yangtze River Delta (YRD), he does not anticipate significant social instability problems.

¶4. (C) Sun Jun, Hanshan's County Governor, said Eastern Anhui is well-situated to weather the economic crisis because the region's migrants tend to work in the service sector rather than export-oriented factories. For example, many Anhui migrants go to Beijing to work in restaurants or as housekeepers, he said. Eastern Anhui's agricultural sector also is more well-developed than other parts of the province, so if migrants return to the countryside, there is more likely to be available land and enough agricultural work to earn a living. In addition, there are industrial jobs in Anhui to absorb excess labor. Sun said Hanshan's cement industry is growing rapidly, and some migrant workers therefore likely will choose to remain at home to work in Hanshan's industrial sector.

Anhui: Regional Differences on the Stability Front

¶5. (C) Contacts in Hefei, Anhui's provincial capital, told Poloff that if Anhui Province experiences social instability in the near future, it is most likely to occur in Anhui's more densely populated and impoverished north. Li Kungang, a Labor Law professor at Anhui University, told Poloff he would return to Northern Anhui to celebrate Lunar New Year near Fuyang, which is considered to be the region in rural Anhui which is most likely to experience social instability because of the sheer number of returned migrants, high population density, and mountainous terrain that makes agriculture difficult. Li said Northern Anhui may manage to avoid significant problems, however, because few migrant workers from the area work in export-oriented industries, and many returning migrants have been working in the construction industry and have skills to use at home. He also supported Sun's view that there are more factory jobs available in Anhui than before as investors move inland to take advantage of lower labor costs. Li added that even the poorest migrants now have more information available on jobs than ever before, and the network of migrant workers connected by cell phones will be able to find jobs on the coast after Lunar New Year. So long as there is no "empty stomachs" (e duzi) problem for rural residents, then they will not foment instability, Li said.

¶6. (C) Zhang Hong, who is a project manager for Heifer International, was more pessimistic, stating that his view from running projects near Fuyang indicates that there were "quite a few" migrant workers returning early for the Lunar New Year, and many workers have lost their jobs in the YRD or Pearl River Delta (PRD). (Note: A Hefei taxi driver who is a migrant from Feixi County west of Hefei said many migrants in his hometown had lost factory jobs in Shenzhen. End Note.) If migrant workers lose their jobs and cannot send remittances home to their families, then farmers will have no disposable income for aging parents, health care, or education, Zhang lamented. The provincial government has failed to address "livelihood problems" (minsheng wenti), Zhang said, primarily because the provincial government never changed the cadre evaluation system to include factors other than GDP growth such as social services. So while Eastern Anhui continues to benefit from a better agricultural situation as a large vegetable producer, farmers in the northern part of the province have fewer choices, Zhang stated.

Finding Jobs for University Graduates

¶7. (C) Anhui Province also will need to address urban white collar unemployment, our contacts said. According to Li Kungang, the conventional wisdom that returned migrant workers

pose the most significant threat to social stability in Anhui is incorrect, and the greater problem will be finding jobs for university graduates. Anhui needs more vocational training for students that matches the economy's needs, Li said. Wu Xiangming from the Anhui Returned Overseas Scholars Association told Poloff on January 22 that maintaining rapid economic growth was the major focus of Anhui Province's "Two Meetings" of the Provincial People's Congress and Provincial Committee of the Chinese People's Political Consultative Conference (CPPCC) during the week of January 12 in order to address employment concerns.

Central Party School Training "Comprehensive"

¶18. (C) Facing significant economic and social problems, the Central Government arranged for local government officials' training sessions at Communist Party Schools in late 2008. Sun Jun, who at 38-years old reportedly is Anhui's youngest County Governor, was one of more than 2,000 county heads to participate in Central Party School-sponsored training. He characterized his training course at the Central Party School's China Executive Leadership Academy Pudong (CELAP) in Shanghai in November 2008 as "comprehensive" and "very good." (Comment: Several East China observers have called the training an unprecedented effort by the Central Government to drill local government officials on policy norms, particularly in the face of possible post-Lunar New Year social instability. End Comment.)

¶19. (C) Sun said the training introduced local officials to several economic and social experts, who focused on economic growth, fiscal responsibility, rural development, and "solving conflicts" (jiejue maodun). According to Sun, the best aspect of the training was the opportunity to network with other county heads from other parts of China. (Note: Sun told Poloff the Anhui Provincial Government decided which county heads would attend the training course in Shanghai and which would go to Beijing. End Note.)

Bio Note: Sun Jun, County Governor, Hanshan County

¶10. (C) Poloff met Sun at a speech by U.S. Health and Human Services Secretary Michael Leavitt at CELAP in November 2008 after Sun queried Leavitt on food and product safety. Sun often uses text messaging for communication, and Poloff corresponded frequently with Sun via text messages to arrange the January 2009 visit to Hanshan. Sun, whose father was a local government official in neighboring He County, clearly is an up-and-coming official in Anhui's Provincial Government hierarchy, and officials from both Hanshan's Foreign Affairs Office and the county's Commerce Bureau appeared to be proud of their young boss. Unlike many other local government officials, Sun did not appear to have an inflated opinion of himself, and he (uncharacteristically for a local government official) made few toasts during lunch. Like other officials, Sun was busy taking cell phone calls throughout the day, but interestingly, he seemed earnest during his phone conversations about solving problems rather than simply appearing to be busy to impress a visitor. Sun has not previously traveled to the United States but has expressed an interest to do so. He is married and has one teenage son.